



WEEKLY REPORT

ARIZONA STATE RETIREMENT SYSTEM

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For the week ending Friday, Jan. 16, 2004

Welcome to the first edition of the ASRS Weekly Report for this legislative session. This report is meant to summarize retirement-related legislation, as well as provide a briefing of news and notices important to member employers and interested parties. Weekly Report will be sent via email each Friday. We hope you find this report useful. If there are issues you'd like addressed, or if you wish to be deleted from the email listing, please let us know! Send an email to: MichelleF@asrs.state.az.us

***** Please distribute or make this report available to your employees. *****

ASRS News:

- The ASRS has released its **Certified Annual Financial Report** for fiscal year 2002-03. The 106-page report provides detailed information on Finances, Investments, Actuarial calculations and general Statistics of the agency. You can access a copy from our website.
- The ASRS is excited to announce that preliminary estimates for the rate of return on our investment portfolio for calendar year 2003 is **23.7 percent!** The ASRS fund now stands at approximately \$21.7 billion, up from 18.7 billion July 1, 2003.
- Speaking of the ASRS fund . . . Did you know that the ASRS pension program has been **ranked 88** in a survey of the 200 largest retirement plans in the world? The ranking comes in the Dec. 22, 2003 issue of *Pensions & Investments* magazine.
- The next meeting of the Arizona State Retirement System **Board** will take place Friday, February 20, at 8:30 a.m. at the ASRS Phoenix office, 3300 N. Central Avenue, 10th floor. Agendas are posted to the ASRS website prior to the meeting, and minutes of past meetings can also be found there.
- Our Member Services Division is set to begin its Spring Travel Schedule of **Group Meetings & Seminars** designed for members thinking about retirement within the next year to five years. ASRS Member Services representatives will be traveling to cities and towns throughout the state in the coming months. Group Meetings and Seminars also take place regularly at our Phoenix and Tucson offices. Group Meetings are designed for those planning to retire within a year, while Seminars are designed for those thinking about retiring within the next five years. Valuable planning information is provided at both. Please be sure to let your employees know that if they're contemplating retirement, these meetings are available! A complete list is posted on the Calendar section of our website!
- The Arizona Legislature opened its 46th Session on January 5. The ASRS has proposed five bills, with an overriding aim at bring equity to a number of areas, including service purchase and long-term disability. Please review the **Bill Summary** on the attached pages for the latest information on ASRS-related legislation!

ASRS Fast Fact: The ASRS paid out over \$1.2 billion in pension & other benefits in fiscal year 2002-03!

Quick Reference
ASRS Related Legislation
(Updated through Friday, January 16, 2004)

BILLS	BILL STATUS	ASRS ADMIN. COST	ACTUARIAL COST
HB 2018 –ASRS; Late Employer Contributions; Payment Sponsor: Huppenthal As Introduced: Clarifies that ASRS-participating employers who underpaid the amount of the employer and/or employee contribution for a period prior to July 17, 1994, are liable for the unpaid amount and accrued interest on the unpaid amount as long as the claim for payment was made by July 17, 1994.	Assigned: Hse GR and Hse Rules Status: Awaiting Hse GR and Rules	As Introduced: None Expected.	As Introduced: Actuarial letter received stating no cost.
HB 2029 – ASRS; Service Purchase; Cost Sponsor: Huppenthal As Introduced: A five-year work requirement is added to three areas of law governing purchase of ASRS service credits: 1) credits for service for years in the military, 2) credit for service in the employ of other governmental entities, 3) credit lost due to an official one-year leave of absence. The formula used to calculate the cost to purchase the service credit is changed to a single standard based on the present value of the additional benefit. Payment for credited service may be via a rollover contribution of the member's accrued vacation, sick leave or overtime pay as long as certain conditions are met. Effective Jan 1, 2004.	Assigned: Hse GR and Hse Rules Status: Awaiting Hse GR and Rules	As Introduced: Not available yet.	As introduced: This represents a contribution rate savings of 34 basis points total (17 for EE/ER each) for a total savings of \$24.8 million annually. Possible additional cost savings.
HB 2049– ASRS; Membership; Political Subdivision Entities Sponsors: Huppenthal, Hubbs, Nelson, et al. As Introduced: HB 2049 stipulates that political subdivision entities are eligible to participate in the ASRS and provides a definition of political subdivision entities. Government & Retirement Committee Amendment: Allows an active member of a participating political entity to purchase service under the statute that was in effect before January 1, 2004 as long as he or she applies for the service purchase before December 31, 2004.	Passed as amended Hse GR 1/13/04 Passed Hse Rules 1/14/04 Status: From Hse COW DPA to Third Read	As Introduced: None Expected. None Expected	As Introduced: None. The Hse GR Amendment could result in the ASRS Fund being under compensated for the service purchased by an amount not yet determined.

BILLS	BILL STATUS	ASRS ADMIN. COST	ACTUARIAL COST
HB2052 ASRS; Retirement Incentive Costs Sponsor: Huppenthal As Introduced: Requires the employer to pay the difference between the actuarial present value of the increased benefit and the contributions received if the employer offers the employee retirement incentives that result in increases in pension benefits for which the fund does not receive full compensation.	Assigned: Hse GR, Hse Rules Status: Awaiting Hse GR and Rules	As Introduced: Not available yet.	As Introduced: During the past few years, 1,342 members participated in retirement incentive programs with an average cost to the fund of \$33,800 each, totaling \$45,450,000.
HB 2077 ASRS; Long Term Disability amending section 38-797.07, Arizona Revised Statutes Sponsor: Huppenthal As Introduced: 1. Requires existing employees of new employers to meet the same 12-month pre-existing condition limitations as new employees of existing employers. 2. Suspends the disability payment if the member refuses to participate in a recommended work rehabilitation program for which the member is reasonably qualified by education, training or experience. 3. Disallows the payment of disability benefits the first of the month in which the member is convicted of a criminal offense and confined to a correctional institution for more than 30 continuous days. 4. Clarifies that the benefits for both the primary and dependent Social Security beneficiaries are subtracted from the LTD benefits. 5. Requires members to pursue obtaining Social Security disability benefits through all available levels or until the claims administrator determines that the member would not be eligible for Social Security disability benefits. 6. Prevents members from bypassing the 24-month limitation on being disabled from <u>any</u> position by removing "consecutive" and adding "within the last five years" before being able to determine if a member is unable to perform any work for compensation or gain.	Assigned: Hse GR, Hse Rules Status: Awaiting Hse GR and Rules	As Introduced: Not available yet.	As Introduced: Issue 1: Currently paying 4, 000 members LTD benefits and the total number affected is unknown. Issue 2: Total cost savings is unknown. Issue 3: The cost to the ASRS is the amount of the LTD benefits paid to the three members who are incarcerated. Issue 4: Cost neutral to ASRS. Issue 5: It is estimated that ASRS has 563 claims in which members applied for SSDB twice and were denied. If all of these were pursued, and granted, using \$600 offset as an estimate of the average, ASRS could save over \$4 Million annually. Estimate 563 of the 750 claims (75%) that do not have an offset for SSDB now would be impacted.
HB 2078 – ASRS; Asset Management; Limitations Sponsor: Huppenthal As Introduced: Change to allow ASRS to hire a manager who has 3 years experience managing institutional funds and eliminate the requirement for having at least 10% of the ASRS assets under management currently. (38-718). Increase allowable percentage investment in foreign securities to 25%. (38-719)	Assigned: Hse GR, Hse Rules Status: Awaiting Hse GR and Rules	As Introduced: None	As Introduced: None

BILLS	BILL STATUS	ASRS ADMIN. COST	ACTUARIAL COST
HB 2079 – ASRS; Normal Cost Definition Sponsor: Huppenthal As Introduced: Technical, redefine “Normal Cost” to the definition for Projected Unit Credit. (38-711)	Assigned: Hse GR, Hse Rules Status: Awaiting Hse GR and Rules	As Introduced: None	As Introduced: None

LEGEND

AMEND C&P	Constitutional and Proper as Amended by the House Rules Committee	HB	House Bill
APPROP	Appropriations Committee	HCR	House Concurrent Resolution
ASRS	Arizona State Retirement System	HHR	House Hearing Room
C&P	Constitutional and Proper	Hse.	House of Representatives
CORP	Corrections Officer Retirement Plan	JUD	Judiciary Committee
COW	Committee of the Whole	LTD	Long Term Disability
DP	Do Pass	PFC	Proper for Consideration
DPA	Do Pass as Amended	PFCA	Proper for Consideration as Amended by the Senate Rules Committee
EORP	Elected Officials’ Retirement Plan	PSPRS	Public Safety Personnel Retirement System
FII	Financial Institutions and Insurance Committee	SB	Senate Bill
FIN	Finance Committee	S/E	Strike Everything Amendment
GF	General Fund	Sen.	Senate
GOV	Government Committee	SHR	Senate Hearing Room
GR	Government and Retirement Committee	WM	Ways and Means Committee

**The weekly legislative report is available on-line at the ASRS Web site:
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